

MONTREAL LOCOMOTIVE WORKS, LIMITED

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William S. Morris, Vice-President
Daniel W. Cameron, Vice-President, Manufacturing
Herman Press, Treasurer
Henry M. Bourgier, Secretary
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BANK OF MONTREAL TRUST COMPANY
64 WALL STREET, NEW YORK

Reco MARCH 15/Cos

# 1959 ANNUAL REPORT OF THE DIRECTORS



MONTREAL LOCOMOTIVE WORKS, LIMITED

MONTREAL, QUEBEC

FINANCIAL FACTS IN BRIEF	1959	1958
Net income (after taxes)	\$1,702,000	\$1,680,000
Earnings per share	2.43	2.40
Dividends on common stock	945,000	945,000
Dividends per share of common stock	1.35	1.35
Earned surplus	9,740,000	8,983,000
Payrolls and various social security plans	4,643,000	5,276,000
Average number of employees	871	1,040
Additions to property, plant and equipment	247,000	326,000
Depreciation	331,000	318,000
Net working capital	9,757,000	8,871,000
Number of shareholders	5,288	5,209

### ANNUAL REPORT OF THE DIRECTORS

### TO THE SHAREHOLDERS:

MONTREAL LOCOMOTIVE WORKS, LIMITED experienced a favourable year in 1959, with net income amounting to \$1,702,000, equal to \$2.43 per share of common stock. This compared with earnings of \$1,680,000 or \$2.40 per share in 1958.

During the year, Canadian railroads continued their programs of dieselization, and MLW maintained its deliveries of locomotives at the high level achieved in 1958. Included were shipments of the first units of its new class of 1000 hp diesel road switcher locomotives. These are powered by a smaller version of the extremely efficient engine used in the 1800 hp locomotives. These units represent an important addition to the Company's line and have been well received.

In 1959, MLW continued to be a major supplier of heat-transfer equipment for the petroleum refining, petrochemical and natural gas industries. The Company also built large feedwater heaters for the steam-powered electric-generating industry. As forecast a year ago, however, capital expenditures in Canada's process industries lagged behind in the general upturn shown by the economy as a whole and, for this reason, overall sales of thermal products were lower than in 1958.

During the year, your Company delivered the first complete steel mill process line to be supplied by a Canadian company as a prime contractor. This complete pickling line used in the manufacture of sheet steel is the largest of its kind in Canada. In addition, the Company produced other items of steel mill equipment, weldments for diesel engines, welded steel pipe, and various other types of fabrications.

Service operations in 1959, including sales of diesel locomotive replacement parts, factory rebuilding of locomotive components and diesel engines, were slightly below the level achieved in 1958.

During the year, material prices and labour rates continued to rise. On the other hand, redesign engineering, improved production techniques and close control of expenses helped the Company to maintain its profit margins.

### FINANCIAL REVIEW

Income from operations of \$3,000,800 in 1959 included an amount of \$114,000 which represents an award received with respect to the expropriation of a portion of the Company's property by the City of Montreal for street widening.

A special year-end dividend of 35c. per share was declared by the Board of Directors again in 1959. This was in addition to the regular quarterly payments of 25c. per share, and brought total payments for the year to \$1.35 per share, unchanged from 1958.

The Company's net working capital increased by \$886,000 during the year to \$9,757,000 at December 31, 1959.

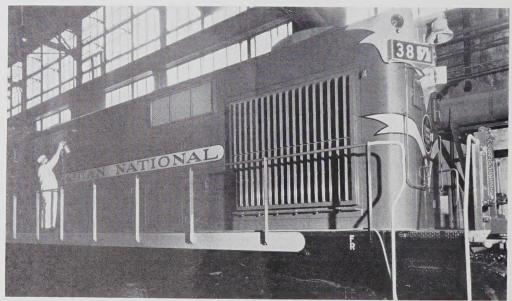
Expenditures for additions to plant and equipment amounted to \$247,000 in 1959, compared with \$326,000 the previous year.

Depreciation charged against income totaled \$331,000 for the year, against \$318,000 in 1958.

### OUTLOOK

The Company's backlog of unfilled orders at December 31, 1959 amounted to \$14,000,000 compared with \$18,000,000 at the same time a year ago. Shipments of some products are expected to be at higher levels in 1960, while others may be affected by reduced capital expenditure programs.

Your Company will continue to participate in the supply of locomotives to the major Canadian railways, and to new developments in Canada, such as ore properties requiring rail transportation. In the export field, while the Company is continuing its efforts to compete for orders where conditions are favourable, the



Built for the Canadian National Railways, an 1800 hp diesel locomotive receives its final coat of paint in the MLW shops.

limited long-term financial arrangements available in Canada as well as the premium on the Canadian dollar continue to be adverse factors.

Diesel locomotive service operations are expected to continue at satisfactory levels. Installations of machinery and equipment to broaden the scope of our service to the railways will be put into operation during 1960.

The oil refining industry is a major market for the Company's heat-transfer equipment. While no large expansion is expected in this industry in 1960, MLW expects to participate in the long-term growth. This same equipment is used in the natural gas processing industry and your Company is actively investigating the possibilities for this market in Western Canada. The production of pressure feedwater heaters will continue in 1960 as orders on hand are completed and additional business is expected to develop. MLW also maintains close contact with nuclear power activities as an additional market for thermal products.

MLW expects to share in the continued expansion taking place within the Canadian steel industry during 1960. Shipments of industrial products, including steel mill equipment, weldments, steel pipe and other miscellaneous items, should be at a higher level than that reached in 1959.

Active investigation of new product lines and expansion of existing lines into broader markets is continuing. In addition, the Company continues to benefit from its long-term engineering agreement with Alco Products, Incorporated, which gives MLW the right to manufacture and sell products developed by ALCO.



In the Toronto yards, one of the new class of 1000 hp MLW road switchers draws a Canadian Pacific Railway freight train.

### CHANGES IN DIRECTORS AND OFFICERS

Effective November 1st, 1959, Mr. William F. Lewis was appointed Vice-President of the Company. Mr. Lewis was formerly Vice-President of Marketing at Alco Products, Incorporated. He had been associated with ALCO since 1934. Effective January 22, 1960, Mr. Lewis became Executive Vice-President and was also appointed a Director of the Company to replace Mr. Rhys M. Sale, whose resignation from the Board on December 11, 1959, was accepted with regret.

#### EMPLOYEE RELATIONS

A new labour agreement to run for three years up to October 26, 1962, was negotiated with the hourly-rated shop employees. It provides for a general wage increase of 5c an hour, effective October 26, 1959, and an additional increase of 5c an hour, effective October 26, 1961, as well as improved group insurance benefits. Salaried employees received corresponding increases.

### CONCLUSION

The Company's Balance Sheet on December 31, 1959 and related statements of Profit and Loss and Earned Surplus for the year, together with the Auditors' report to the shareholders, appear on the following pages. Comparative figures for the previous year also are included.

The Board wishes to express its deep appreciation to officers and employees for their loyal co-operation and diligent efforts on the Company's behalf, and to shareholders and customers for their continued support.

Respectfully submitted on behalf of the Board.

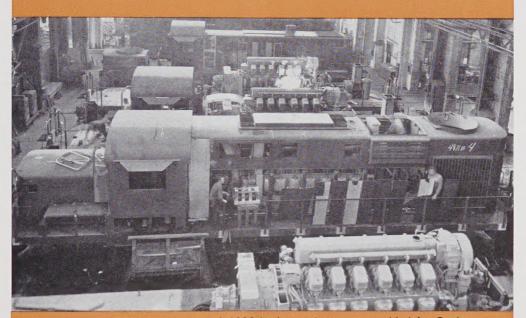
Perry T. Egbert, Chairman of the Board

WILLIAM G. MILLER, *President* 

March 9, 1960 Montreal, Canada

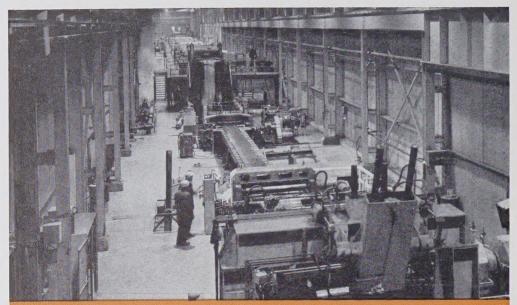


Feedwater heaters are of growing importance to MLW's thermal products division. This is one of several built for the Richard L. Hearn generating station of the Ontario Hydro Electric Power Commission.



On the assembly line at Montreal, 1800 hp locomotives are assembled for Quebec Cartier Mining Company, the 25th railroad to have purchased diesels from MLW.

Since 1948, the company has built some 1400 diesel locomotives.



Largest in Canada, this pickling line built by MLW for Dominion Foundries and Steel, Limited, is also the first complete steel mill process line to be supplied entirely by a Canadian company acting as prime contractor.



More MLW heat exchangers have been installed in Canadian oil refineries than any other make. These are being readied for shipment to the new refinery being built in Montreal East by BP Refinery Canada Ltd.

# MONTREAL LOCOMOTIVE WORKS, LIMITED

### STATEMENT OF PROFIT AND LOSS

For the Years Ended December 31, 1959 and 1958

	1959	1958
Income from operations	\$3,000,800	\$3,333,826
Income from investments	193,769	116,660
	\$3,194,569	\$3,450,486
Provision for income taxes	1,493,000	1,770,000
Net Income for the year	\$1,701,569	\$1,680,486
Note: Included in the charges against income from operations a	are:	
Depreciation	\$ 330,737	\$ 318,029
Remuneration of executive officers	125,584	121,867
Directors' fees	15,850	15,650
Legal fees and expenses	46,500	86,996
STATEMENT OF EARNED SURPLUS		
For the Years Ended December 31, 1959 and 1958		
	1959	1958
Earned surplus at January 1	\$8,983,314	\$8,247,828
Add:		
Net income for the year	1,701,569	1,680,486
	\$10,684,883	\$9,928,314
Deduct:		
Dividends on common stock (\$1.35 per share)	945,000	945,000
Earned Surplus at December 31	\$9,739,883	\$8,983,314

### MONTREAL LOCOMO

### BALANCE SHEET AS AT DE

#### **ASSETS**

		December 31 1959	December 31 1958
Current Assets:			
Cash		\$ 2,239,287	\$ 1,957,866
Government of Canada Bonds and term deposits (market value, 1959—\$6,572,300; 1958—\$4,70		6,522,650	4,709,377
Accounts receivable, less allowance for doubtful a	ccounts	2,735,475	2,332,920
Inventories, at lower of cost or market:  Materials and supplies\$2,	690,899		
Work in process	895,785	4,586,684	6,228,118
Total Current Assets		\$16,084,096	\$15,228,281
Investment in Subsidiary Company, at cost		\$5,000	\$5,000
Fixed Assets, on basis of cost:			
Land	40,968 855,020	8,895,988	8,857,632
Less: Accumulated depreciation		5,851,342	5,702,287
		\$ 3,044,646	\$ 3,155,345
Prepaid Expenses Applicable to Future Opera	TIONS	150,964	100,698
		\$19,284,706	\$18,489,324

Notes: (1) On filing income tax returns for the years 1954, 1956, 1957 and 1958, the Company claimed for Federal tax purposes an amount greater than the depreciation recorded in the accounts, resulting in excess provisions for income tax in determining net income for these years. These excess provisions included in "Deferred Taxes on Income" are applicable to those future periods in which the amounts claimed for depreciation may be less than the amounts recorded in the accounts.

(2) Contingent liabilities at December 31, 1959 were as follows:—

(a) Notes sold with recourse amount to \$352,731.

(b) No provision has been made for a claim against the Company in the amount of approximately \$140,000 which the Company considers to be wholly unfounded and is contesting.

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# MBER 31, 1959 AND 1958

### LIABILITIES AND SHAREHOLDERS' OWNERSHIP

	December 31 1959	December 31 1958
Current Liabilities:		
Dividends payable	\$ 420,000	\$ 420,000
Accounts payable	3,814,253	3,728,270
Accrued payroll and other expenses	1,122,749	1,193,861
Advances received on contracts	6,093	9,685
Provision for income taxes	964,428	1,005,794
Total Current Liabilities	\$ 6,327,523	\$ 6,357,610
Deferred Taxes on Income (Note 1)	\$ 217,300	\$ 148,400
Shareholders' Ownership:		
Common stock, without nominal or par value		
700,000 shares authorized and issued	3,000,000	3,000,000
Earned surplus	9,739,883	8,983,314
	\$12,739,883	\$11,983,314
	\$19,284,706	\$18,489,324

Signed on behalf of the Board:

Perry T. Egbert, *Director*William G. Miller, *Director* 

### DELOITTE, PLENDER, HASKINS & SELLS CHARTERED ACCOUNTANTS

MONTREAL WINDSOR EDMONTON

TORONTO WINNIPEG PRINCE GEORGE

HAMILTON REGINA

CHATHAM CALGARY VANCOUVER

215 ST. JAMES STREET WEST MONTREAL 1, CANADA

To the Shareholders of

### MONTREAL LOCOMOTIVE WORKS, LIMITED

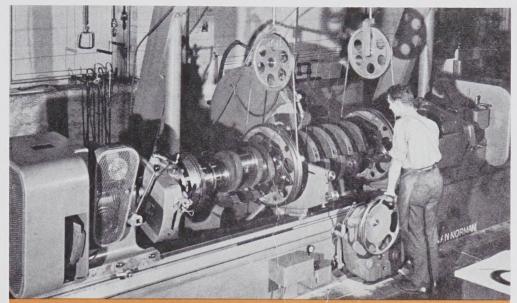
We have examined the balance sheet of Montreal Locomotive Works, Limited as at December 31, 1959 and the statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 118 of the Canadian Companies Act, we report that the wholly-owned subsidiary company has not commenced operations and had neither profits nor losses to December 31, 1959.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company the accompanying balance sheet and statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1959 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

> Delvitte, Plender, Haskins & Sees Chartered Accountants

January 21, 1960



New production facilities added during 1959 as part of MLW's continuing program of capital expenditures included this crankshaft grinder. It is the only one of its kind in Canada.



In 1959, as in other years, MLW's engineering department played a vital role in the company's diversification program, aimed at developing new products and product lines.



# MLW SERVES THESE MARKETS

Railroads, petroleum refining, steel, pulp and paper, chemical processing, power, municipalities, inland waterways, defence, general industrial